



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 5, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **FLORENCE CRITTENTON SERVICES OF ORANGE COUNTY, INC.
DBA CRITTENTON SERVICES FOR CHILDREN AND FAMILIES
CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY
SERVICES AND MENTAL HEALTH SERVICE PROVIDER**

We completed a contract compliance review of Florence Crittenton Services of Orange County, Inc. dba Crittenton Services for Children and Families (Crittenton or Agency), to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program, which provides services to children and their families such as therapy, housing, education and social assistance.

Crittenton also contracts with the Department of Mental Health (DMH) to provide mental health services that includes interviewing program participants, assessing their mental health needs and implementing a treatment plan. The purpose of our review was to determine the appropriateness of the services provided based on available documentation. Our review also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

DCFS paid Crittenton approximately \$2.1 million on a fee-for-service basis for Fiscal Year (FY) 2009-10. DMH paid Crittenton approximately \$3.4 million on a cost-reimbursement basis for FY 2009-10. The Agency's offices are located in the First, Second and Fourth Districts.

Results of Review

DMH Program Review

Crittenton maintained documentation to support the service minutes sampled and staff assigned to the County contract possessed the required qualifications. Crittenton also completed the Assessments, Client Care Plans and Progress Notes in compliance with the County contract.

DMH and DCFS Wraparound Programs Fiscal Review

Crittenton appropriately allocated shared program expenditures and maintained sufficient documentation to support program expenditures charged to the DMH Program. However, Crittenton charged DCFS \$80,875 in FYs 2006-07 and 2007-08 for two facilities at Service Planning Areas 3 and 6 that were not occupied by staff working on the Wraparound Program. The County contract does not allow agencies to charge the program for expenditures related to idle space.

Crittenton's attached response indicates that the Agency leased the facilities in preparation of receiving referrals from DCFS. However, DCFS management indicated that the Agency was not approved to receive referrals at Service Planning Areas 3 and 6 until 2009 and that the Agency was not required to lease the facilities.

At the end of each DCFS Wraparound Program year, the Agency is allowed to retain unspent funds up to ten percent of their program expenditures for future Wraparound Program use and return any funds in excess of ten percent to the County. For the program year ending April 30, 2008, Crittenton's accounting records indicated their unspent Wraparound funds totaled \$301,708 and program expenditures totaled \$664,144. As a result, Crittenton is allowed to reserve \$66,414 (10% of \$664,144) for future Wraparound use and is required to return the \$235,294 (\$301,708 - \$66,414) in excess funds to DCFS as required by the County contract.

Crittenton's attached response indicates that unspent revenue needs to be determined based on the 24-month period. However, the County contract requires unspent Wraparound funds be settled at the end of each program year.

The details of our reviews along with recommendations for corrective action are attached.

Review of Report

We discussed the results of our review with Crittenton, DMH, and DCFS. In the attached response, the Agency did not concur with our findings and recommendations. DCFS management indicated that they are in full agreement with our findings and

recommendation and will work with Crittenton to ensure that the questioned costs are returned and the recommendations are implemented.

We thank Crittenton management for their cooperation and assistance during our review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Antonia Jiménez, Acting Director, Department of Children and Family Services
Dr. Marvin J. Southard, Director, Department of Mental Health
Mike Oates, Sr., President, Board of Directors, Crittenton
Joyce Capelle, CEO, Crittenton
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
FLORENCE CRITTENTON SERVICES OF ORANGE COUNTY, INC.
DBA CRITTENTON SERVICES FOR CHILDREN AND FAMILIES
FISCAL YEARS 2007-08 AND 2009-10**

BILLED SERVICES

Objective

Determine whether Florence Crittenton Services of Orange County, Inc. dba Crittenton Services for Children and Families (Crittenton or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We selected 35 billings totaling 3,669 minutes from 6,554 service minutes and 15 full-day billings from 1,578 services days of approved Medi-Cal billings for October and November 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' chart for the selected billings. We also reviewed an additional five program participants' Assessments who were provided services during January and February 2010. The 3,669 minutes and 15 days represent services provided to 32 program participants.

Results

Crittenton maintained documentation to support the service minutes reviewed. In addition, the Agency completed the Assessments, Client Care Plans and Progress Notes in compliance with the County contract.

Recommendation

None.

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staff to client ratio of 1:10 in its Day Rehabilitation Program as required by the County contract.

Verification

We selected ten days that Crittenton billed for the Day Rehabilitation Program during October and November 2007 and reviewed the clients and staff sign-in sheets and staff timecards.

Results

The Agency maintained the required staff to client ratio.

Recommendation

None.

STAFF QUALIFICATIONS**Objective**

Determine whether Crittenton treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for seven treatment staff who provided services to DMH clients during January and February 2010.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Crittenton's Wraparound Approach Services (Wraparound) Program contract with the Department of Children and Family Services (DCFS) allows the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the excess funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent are required to be returned to the County.

For the program year ending April 30, 2008, Crittenton's accounting records indicated their unspent Wraparound funds totaled \$301,708 and program expenditures totaled \$664,144. As a result, Crittenton is allowed to reserve \$66,414 (10% of \$664,144) for future Wraparound use and is required to return the \$235,294 (\$301,708 - \$66,414) in excess funds to DCFS as required by the County contract.

In addition, although Crittenton did not have excess revenue to return to the County in the subsequent years, Crittenton did not reserve \$32,568 and \$73,446 for the program years ending April 30, 2009 and 2010, respectively, for future Wraparound use.

Recommendations**Crittenton management:**

1. Ensure that excess funds up to ten percent of revenue are reserved and used to provide Wraparound Program services in subsequent years.
2. Repay DCFS \$235,294.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed Crittenton's management and reviewed the Agency's financial records. We also reviewed two bank reconciliations for August 2010.

Results

Crittenton maintained adequate controls to ensure that revenue, cash and liquid assets were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Crittenton's Cost Allocation Plan is prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected four shared expenditures totaling \$10,821 incurred during Fiscal Year (FY) 2009-10 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Crittenton prepared their Cost Allocation Plan in compliance with the County contract and appropriately allocated their shared expenditures.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether the DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 14 Wraparound expenditures totaling \$86,129 and 11 DMH expenditures totaling \$30,709 incurred between July 2006 and December 2007. In addition, we selected three Wraparound expenditures totaling \$18,988 and three DMH expenditures totaling \$7,666 that they incurred between July and September 2010.

Results

Crittenton's DMH expenditures were allowable, accurately billed and supported by documentation as required. However, Crittenton charged DCFS \$80,875 in FYs 2006-07 and 2007-08 for two facilities that were not occupied by staff working on the Wraparound Program. The County contract does not allow agencies to charge the program for expenditures related to idle space.

Recommendations

Crittenton management:

- 3. Repay DCFS \$80,875.**
- 4. Ensure that only allowable expenditures are billed to the Wraparound Program.**

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we reviewed the depreciation costs charged to the DMH Program totaling \$884 during FY 2009-10.

Results

The depreciation costs charged to the DMH program were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures totaling \$10,247 for six employees to the payroll records for the pay period ending September 30, 2010 and reviewed personnel files for the six employees.

Results

Crittenton's payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORT

Objective

Determine whether Crittenton's FY 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

Results

Crittenton's cost report reconciled to the Agency's accounting records.

Recommendation

None.



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Achieve.
Empower.**

www.crittentonocal.org

County of Los Angeles
Department of Auditor-Controller
500 W. Temple St., Room 525
Los Angeles, CA 90012-3873

11 January, 2011

Subject: Contract Review Management Response

Dear Wendy L. Wantanabe,

The purpose of this letter is to respond to the draft program and Fiscal contract compliance review report findings.

Independent audits provide a valuable service to our clientele, contracted county and the tax payer. It allows for an unfettered review of processes and internal controls to maximize the service to our clients. We appreciate the efforts and take any and all recommendations to improve our services in this spirit of cooperation between County and Provider. The Audit staff of Ninez Mendoza, Celeste Mariano, Susie Choy and Peter Tran were very professional and

EXPENDITURES

Objective

Determine whether the DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 11 Wraparound expenditures totaling \$11,981 and 11 DMH expenditure totaling \$30,709 incurred between July 2006 and December 2007. In addition, we selected three Wraparound expenditures totaling \$18,988 and three DMH expenditures totaling \$7,666 that they incurred between July and September 2010.

Results

Crittenton's DMH expenditures were allowable, accurately billed and supported by documentation as required. However, Crittenton charged DCFS \$80,875 in FYs 2006-07 and 2007-08 for office space that was not occupied by the Wraparound Program. The County contract does not allow agencies to charge the program for expenditures related to idle space.

Recommendations

Crittenton management:

3. Repay DCFS \$80,875.

4. Ensure that only allowable expenditures are billed to the Wraparound Program.

Contractor Response: In reviewing source documents, the following guidance was found on readiness requirements to perform.

- 1. Statement of Work requirement that all service delivery sites shall be fully operational at the commencement of the contract.*
- 2. Bidders Conference, Question and Answer response, that all agencies must have the capacity to service a minimum of 25 children, at each SPA.*
- 3. Statement of Work requirement that Contractor WRAPAROUND staff must attend DCFS Orientation and Elements of WRAPAROUND training before they see families.*
- 4. RFSQ requirement that prospective contractor submit documentation of its capacity to provide Mental Health services and must indicate the anticipated time frame for completion of a Short-Doyle/Medi-Cal Site Certification. Note that Los Angeles Department of Mental Health requires a business office be available before a walkthrough site certification time is scheduled.*

A fully operational site, staff trained by DCFS, and Medical Site certification all require offices long before any referrals are released by DCFS. All facilities leased are for the exclusive purpose and benefit of providing WRAPAROUND services. They had not existed prior to receiving the WRAPAROUND contract. There was no idle space only the office space requirement and the time required to fulfill Items 1 through 4 above.

All offices were established in good faith of meeting and performing to the requirements of the contract & Statement Of Work. Our goal was to comply with the Statement of Work and have a site fully operational at the commencement of the contract. All expenses incurred in fulfillment of the Proposal and Contract would seem allowable under these conditions. To remain fiscally responsible our recurring expenses were kept to a minimum and still remain in compliance.

UNSPENT WRAPAROUND REVENUE

Crittenton's' Wraparound contract with DCFS allows the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the excess funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent are required to be returned to the County. For the program year ending April 30, 2008, Crittenton's accounting records indicated their unspent Wraparound funds totaled \$301,708 and program expenditures totaled \$664,144. As a result, Crittenton is allowed to reserve \$66,414 (10% of \$664,144) for future Wraparound use and is required to return the \$235,294 (\$301,708 - \$66,414) in excess funds to DCFS as required by the County contract.

In addition, although Crittenton did not have excess revenue to return to the County in the subsequent years, Crittenton did not reserve \$32,568 and \$73,446 for the program years ending April 30, 2009 and 2010, respectively, for future Wraparound use.

Recommendations

Crittenton management:

- 1. Reserve \$172,428 (\$66,414 + \$32,568 + \$73,446) to ensure that the funds are used to provide Wraparound Program services in subsequent years.**
- 2. Repay DCFS \$235,294.**

Contractor Response: Pursuant to response above, expenditures for program infrastructure occurred in compliance with WRAPAROUND Statement of Work and Contract Terms and Conditions we incurred costs long before receiving referrals. Since costs were required to be incurred in advance of referrals any such costs would be recovered in future periods. Since the referrals for the 2006-07 contract year materialized in the later part of the year they would be recovered in the subsequent period 2007-08. Taken into consideration the expenditures for the twenty four months, the recoupment would be as follows:

Revenue Payments \$1,226,226

Expenditures \$1,057,500

Surplus \$ 168,726

10% of Cost Reserve \$ 105,750

Advance Repayment \$ 62,976

If you have any questions or require additional information please don't hesitate to contact the undersigned.

Sincerely,



Fritz Czypull
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CC: Joyce Capelle